JANUARY 21, 1985

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FORTUNE

THE BIGGEST DEALS OF THE YEAR

THE WAR BETWEEN THE GETTYS

AT STAKE: CONTROL OF $4 BILLION

Embattled Trustee Gordon Getty

FORTUNE'S ECONOMIC FORECAST: THE NEXT 18 MONTHS, INDUSTRY BY INDUSTRY

FRAN TARKENTON, CORPORATE QUARTERBACK

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FORTUNE

Gordon Getty, target of the titanic litigation described in the article on page 20, recently appeared at a fund-raising dinner in San Francisco, where he was photographed by John Harding.

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DEALS OF THE YEAR

The big players in a busier-than-ever 1984 were oil companies scrambling to consolidate and line up reserves. The architects of leveraged buyouts also set new records, and even giant General Motors and IBM pulled off a big acquisition apiece. ■ *by H. John Steinbreder*

STAGGERING SUMS changed hands in the top business deals of 1984. The two largest acquisitions in U.S. corporate history—Chevron's purchase of Gulf and Texaco's of Getty—carried price tags of $13.2 billion and $10.1 billion respectively. Both deals beat the previous record set when Du Pont purchased Conoco for $7.2 billion in 1981. The total value of the corporate combinations and securities transactions on FORTUNE's 1984 list is $78.5 billion, double the 1983 figure. The tally of the 50 largest deals includes corporate stock and bond offerings and stock buybacks in the U.S., and acquisitions to which a U.S. corporation was a party.

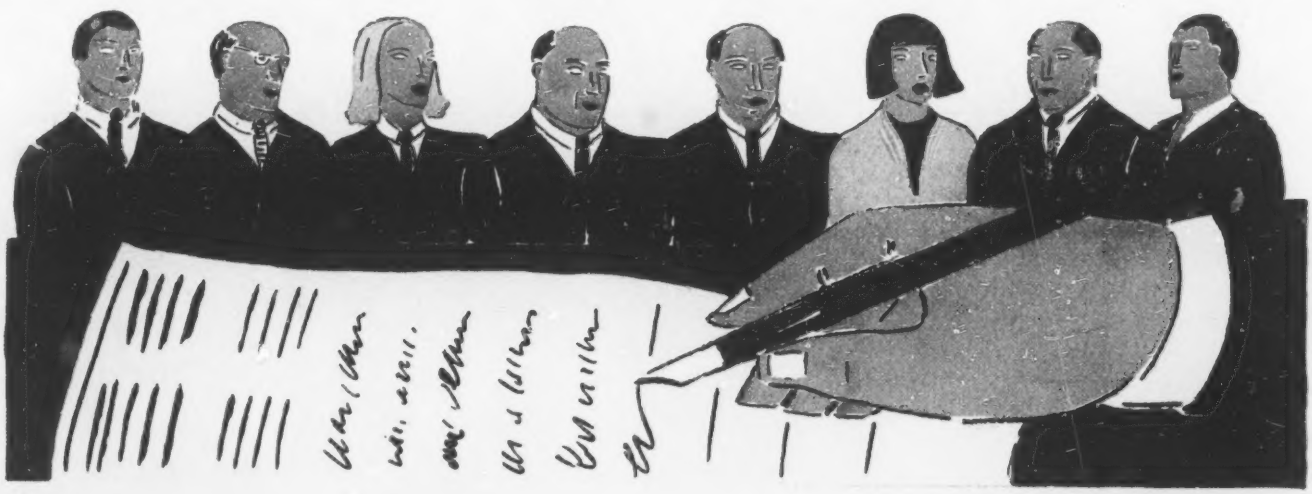
Like an oil spill too big to ignore, consolidations and financial restructurings in the petroleum industry dominated the 1984 list. With crude prices down and exploration still expensive, many of the big producers found it cheaper to buy reserves through acquisitions. In all, oil companies accounted for 11 of 1984's biggest deals and shelled out more than $36 billion.

The year also produced a record crop of leveraged buyouts, which are financed mainly with debt repaid from the acquired company's cash flow or the sale of its assets. In the largest buyout ever (Deal No. 15), Pace Industries, a new corporation formed by Kohlberg Kravis Roberts and Merrill Lynch Capital Markets, paid $1.2 billion for three subsidiaries of City Investing, which is selling off all its assets. Five other leveraged buyouts are on the list, including the purchase of Metromedia for $963 million by a management-led group (No. 32). Later in the year, Metromedia sold $1.3 billion of bonds, using most of the proceeds to pay off the lenders who financed the buyout (see following story). The issue included four separate offerings, none big enough to make the list.

All but four of last year's acquisition deals involved linkups within the same industry. The rare diversification moves, however, included two stunners in which blue-chip giants made their first acquisitions in years. General Motors bought Electronic Data Systems for $2.6 billion (No. 6), and IBM paid $1.3 billion for the 77% it didn't already own of Rolm, the telecommunications manufacturer (No. 14).

The investment bankers fared well. They garnered at least $367 million in fees for the 50 deals, up more than 40% from 1983. The Chevron-Gulf deal alone generated $64 million for the three financial intermediaries. Goldman Sachs culled the most in fees last year, more than $63 million. Morgan Stanley was second with $46 million.

As 1984 closed out, several large deals were pending. The protracted battle waged by Royal Dutch/Shell for the $5.5 billion of Shell Oil stock it didn't already own was simmering in the courts. Nestlé was preparing to consummate its proposed $3-billion acquisition of Carnation. More megamergers are on the way.



ILLUSTRATIONS BY KAREN BARBOUR

BIGGEST DEALS OF 1984

MERGERS AND ACQUISITIONS — DEBT AND EQUITY OFFERINGS

Rank	Value of deal (000)	Percent of book value	Transaction	Companies	Financial intermediaries	Fee (000)	Fee as percent of deal
1	**CHEVRON (formerly Standard Oil of California) acquires GULF OIL**						
	$13,231,253	129.7%	Acquisition for cash, June 15	Chevron	Morgan Stanley	$16,900	.13%
				Gulf	Salomon Bros. Merrill Lynch	$28,235* $18,765	.21% .14%
2	**TEXACO acquires GETTY OIL**						
	$10,129,245	102.2%	Acquisition for cash, February 17	Texaco	First Boston	$10,750	.11%
				Getty	Goldman Sachs Kidder Peabody Salomon Bros.	$18,500 $15,500 N.A.	.19% .15% —
3	**MOBIL acquires SUPERIOR OIL**						
	$5,696,704	227%	Acquisition for cash and debentures, September 28	Mobil	Goldman Sachs	$1,742	.03%
				Superior	Morgan Stanley	$12,688	.22%
4	**BEATRICE CO.[1] (food and consumer products) acquires ESMARK (food and consumer products)[1]**						
	$2,699,891	208.3%	Acquisition of 99% for cash, August 7	Beatrice	Lazard Frères	$4,500	.17%
				Esmark	Oppenheimer Salomon Bros.	$8,000 $7,500	.30% .28%
5	**KIEWIT-MURDOCK INVESTMENT CORP.[2] acquires CONTINENTAL GROUP (paper, forest products, insurance, and energy)**						
	$2,686,051	167.8%	Acquisition for cash and stock, November 1	Peter Kiewit Sons' Pacific Holding Corp.	None None	— —	— —
				Continental Group	Morgan Stanley Goldman Sachs	$5,400 $5,400	.20% .20%
6	**GENERAL MOTORS acquires ELECTRONIC DATA SYSTEMS**						
	$2,555,336	777.8%	Acquisition for cash, stock, and notes, October 19	General Motors	Salomon Bros.	N.A.	—
				Electronic Data Systems	Lazard Frères	$4,000	.16%
7	**BROKEN HILL PROPRIETARY (natural resources) acquires UTAH INTERNATIONAL (natural resources) from General Electric**						
	$2,400,000*	N.A.	Acquisition for cash, April 2	Broken Hill Proprietary	First Boston	N.A.	—
				General Electric	Morgan Stanley	N.A.	—
8	**CHAMPION INTERNATIONAL (paper and forest products) acquires ST. REGIS (forest products)**						
	$1,827,958	138%	Acquisition for cash and stock, November 20	Champion International	Goldman Sachs	$5,000	.27%
				St. Regis	Morgan Stanley	$6,400	.35%
9	**TELEDYNE (manufacturing and insurance) repurchases its common stock**						
	$1,732,211	151.7%	Cash tender for common stock, May 25	Teledyne	None	—	—
10	**MANUFACTURERS HANOVER (financial services) acquires CIT FINANCIAL from RCA**						
	$1,510,000	106.5%	Acquisition for cash, stock, and notes, April 30	Manufacturers Hanover	Goldman Sachs	N.A.	—
				RCA	Lazard Frères Lehman Bros.	$4,000 N.A.	.26% —
11	**FEDERAL NATIONAL MORTGAGE ASSOCIATION (mortgage holder) sells bonds**						
	$1,500,000		Offering of 12.25% debentures due 1987, April 10	Federal National Mortgage Association	Various dealers	$2,198	.15%
12	**PHILLIPS PETROLEUM acquires AMINOIL and GEYSERS GEOTHERMAL (energy) from R.J. Reynolds**						
	$1,300,000	246.2%	Acquisition for cash, October 26	Phillips Petroleum	Morgan Stanley	N.A.	—
				R.J. Reynolds	Dillon Read	N.A.	—
13	**DUN & BRADSTREET (communications and publishing) acquires A.C. NIELSEN (research services)**						
	$1,282,005	106.4%	Acquisition for stock, August 29	Dun & Bradstreet	Goldman Sachs	$3,500	.27%
				A. C. Nielsen	Lehman Bros.	$600	.05%
14	**INTERNATIONAL BUSINESS MACHINES acquires ROLM (telecommunications products)[3]**						
	$1,279,745	231.3%	Acquisition of 77% for 7.875% debentures due 2004, November 21	IBM	Salomon Bros.	$3,500	.27%
				Rolm	Goldman Sachs	$4,900	.38%

*Fortune estimate. N.A. Not available.
[1]Beatrice previously owned 1%.
[2]Acquiring firm 80% held by Peter Kiewit Sons', a construction, mining, and finance concern, and 20% by Pacific Holding, owned by David Murdock.
[3]IBM previously owned 23%.

BIGGEST DEALS OF 1984

Rank	Value of deal ($000)	Percent of book value	Transaction	Companies	Financial intermediaries	Fee ($000)	Fee as percent of deal
15	**PACE INDUSTRIES (new company)[1] acquires three subsidiaries[2] of CITY INVESTING**						
	$1,251,000	N.A.	Leveraged buyout for cash, December 13	Pace Industries	Merrill Lynch	$14,200[3]	1.13%
				City Investing	First Boston	$6,000	.48%
16	**AMERICAN GENERAL (insurance) acquires the insurance units of GULF UNITED**						
	$1,225,482	141.6%	Acquisition for stock, warrants, and cash, January 5	American General	First Boston	$1,200	.10%
				Gulf United	Lehman Bros. Smith Barney	$2,450 $900	.20% .07%
17	**FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds**						
	$1,200,000		Offering of 11.55% debentures due 1987, November 7	Federal National Mortgage Association	Various dealers	$1,800	.15%
18	**AMERICAN STORES (food and drug retailer) acquires JEWEL COS. (food and drug retailer)**						
	$1,184,961	187%	Acquisition for stock and cash, November 16	American Stores	Lehman Bros.	$4,000	.34%
				Jewel Cos.	Morgan Stanley	$4,300	.36%
19	**OCCIDENTAL PETROLEUM sells stock and notes**						
	$1,171,500		Offering of 9.65% notes due 1994 and stock, October 23	Occidental Petroleum	Drexel Burnham Lambert[4] First Boston Donaldson Lufkin & Jenrette Kidder Peabody Dean Witter	$28,500	2.43%
20	**GENERAL ELECTRIC FINANCIAL SERVICES (General Electric) acquires EMPLOYERS REINSURANCE from Texaco[5]**						
	$1,075,000	141.3%	Acquisition for cash, July 2	General Electric	None	–	–
				Texaco	Goldman Sachs	N.A.	–
21	**TEXAS EASTERN (oil and gas) acquires PETROLANE (oil and gas)[6]**						
	$1,025,600	235.8%	Acquisition of 98.1% for cash, September 26	Texas Eastern	First Boston	$5,500[7]	.54%
				Petrolane	First Boston	–	–
22	**FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds**						
	$1,000,000		Offering of 11.55% debentures due 1988, January 10	Federal National Mortgage Association	Various dealers	$1,680	.17%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 11.05% debentures due 1987, February 3	Federal National Mortgage Association	Various dealers	$1,410	.14%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 12.10% debentures due 1989, March 12	Federal National Mortgage Association	Various dealers	$1,950	.20%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 13.05% debentures due 1986, June 11	Federal National Mortgage Association	Various dealers	$1,143	.11%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 13.65% debentures due 1987, July 10	Federal National Mortgage Association	Various dealers	$1,440	.14%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 12.90% debentures due 1986, September 10	Federal National Mortgage Association	Various dealers	$1,175	.12%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 13.20% debentures due 1987, September 10	Federal National Mortgage Association	Various dealers	$1,645	.17%
	FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds						
	$1,000,000		Offering of 11.25% debentures due 1988, December 10	Federal National Mortgage Association	Various dealers	$1,638	.16%

*Lead manager. N.A. Not available.
[1]New corporation formed by Kohlberg Kravis Roberts and Merrill Lynch Capital Markets.
[2]Rheem Manufacturing (water heaters), World Color Press, and Uarco (printing).
[3]Includes fees for other services to City Investing prior to deal.
[4]Texaco had acquired Employers Reinsurance as part of Getty Oil.
[5]Texas Eastern previously owned 1.9%.
[6]First Boston advised both companies.

BIGGEST DEALS OF 1984

Rank	Value of deal ($000)	Percent of book value	Transaction	Companies	Financial intermediaries	Fee ($000)	Fee as percent of deal
30	**CHEVRON sells notes**						
	$992,770		Offering of 12.75% notes due 1987, August 4	Chevron	Salomon Bros. Dillon Read	$1,000* $1,000	.10% .10%
31	**SCHLUMBERGER (oil services and electronics) acquires SEDCO (oil services)**						
	$970,142	171.2%	Acquisition for cash and stock, December 24	Schlumberger	Lazard Frères	N.A.	—
				Sedco	Goldman Sachs	$1,500	.15%
32	**JWK ACQUISITION CORP. (private investors) acquires METROMEDIA (communications)**						
	$962,536	485.6%	Leveraged buyout for cash, warrants, and debentures, June 21	JWK Acquisition Corp.	Boston Ventures Management	$4,000	.42%
				Metromedia	Lehman Bros. Bear Stearns	$4,685 $2,500	.49% .26%
33	**ARA ACQUIRING CORP. (private investors) acquires ARA SERVICES (food, transportation, and health care)**						
	$883,287	150.5%	Leveraged buyout for cash, December 19	ARA Acquiring Corp.	Goldman Sachs	$10,000	1.13%
				ARA Services	Salomon Bros.	$1,250	.14%
34	**AMERICAN MEDICAL INTERNATIONAL (health care services) acquires LIFEMARK (health care services)**						
	$863,449	346.1%	Acquisition for stock, January 19	American Medical International	Goldman Sachs	$2,787	.32%
				Lifemark	First Boston	$3,588	.42%
35	**WOMETCO ENTERPRISES AQUISITION CORP. (private investors)[1] acquires WOMETCO ENTERPRISES (communications and bottling)**						
	$820,016	273.5%	Leveraged buyout for cash, April 12	Wometco Enterprises Aquisition	None	—	—
				Wometco	Kohlberg Kravis Roberts Drexel Burnham Lambert Merrill Lynch	$10,000 $3,900 $200	1.2% .48% .02%
36	**TEXACO acquires some European marketing and manufacturing operations of CHEVRON**						
	$800,000*	N.A.	Acquisition for cash, April 1	Texaco	None	—	—
				Chevron	None	—	—
37	**FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds**						
	$750,000		Offering of 13.125% debentures due 1989, August 6	Federal National Mortgage Association	Various dealers	$1,500	.20%
38	**AMERICAN EXPRESS (financial services) acquires INVESTORS DIVERSIFIED SERVICES (financial services) from Alleghany**						
	$743,875	188.1%	Acquisition for stock, cash, and a promissory note, January 12	American Express	Morgan Stanley S.B. Lewis	N.A. $3,500	— .47%
				Alleghany	First Boston	N.A.	—
39	**R.J. REYNOLDS repurchases its common stock**						
	$735,000	174.4%	Cash tender for common stock, November 21	R.J. Reynolds	Dillon Read	$1,500	2.0%
40	**EQUITABLE LIFE ASSURANCE acquires shopping centers from GENERAL GROWTH PROPERTIES**						
	$707,795	N.A.	Acquisition for cash and assumption of mortgages, November 30	Equitable Life Assurance	None	—	—
				General Growth Properties	None	—	—
41	**GULF & WESTERN acquires PRENTICE-HALL (publishing)**						
	$705,322	319%	Acquisition for cash, December 21	Gulf & Western	Kidder Peabody	$3,500	.50%
				Prentice-Hall	Dillon Read	$875	.12%
42	**FEDERAL NATIONAL MORTGAGE ASSOCIATION sells bonds**						
	$700,000		Offering of 11.60% debentures due 1989, February 3	Federal National Mortgage Association	Various dealers	$1,320	.19%
43	**OCCIDENTAL PETROLEUM sells stock, warrants, and notes**						
	$682,500		Offering of 8.95% notes due 1994, warrants, and stock, April 17	Occidental Petroleum	Drexel Burnham Lambert* First Boston Donaldson Lufkin & Jenrette Goldman Sachs Kidder Peabody Dean Witter	$17,500	2.56%

*Fortune estimate. *Lead manager. N.A. Not available.
[1]Group led by Kohlberg Kravis Roberts.

BIGGEST DEALS OF 1984

Rank	Value of deal ($000)	Percent of book value	Transaction	Companies	Financial intermediaries	Fee ($000)	Fee as percent of deal
44	**A.H. BELO (publishing and broadcasting) acquires six television stations from DUN & BRADSTREET**						
	$606,000	N.A.	Acquisition for cash, February 29	A.H. Belo	None	--	--
				Dun & Bradstreet	Goldman Sachs	N.A.	--
45	**COASTAL CORP. (oil and gas) sells notes**						
	$585,000		Offering of 14.60% notes due 1994, August 9	Coastal	Drexel Burnham Lambert	$15,000	2.56%
46	**HH ACQUIRING CORP. (private investors) acquires HARTE-HANKS COMMUNICATIONS**						
	$575,932	225%*	Leveraged buyout for cash and debentures, September 11	HH Acquiring Corp.	Salomon Bros.	$1,000	.17%
				Harte-Hanks Communications	Goldman Sachs	$9,000	1.56%
47	**PHILADELPHIA SAVING FUND SOCIETY acquires FAMET FINANCIAL SERVICES from General Electric Credit Corp.**						
	$568,000	N.A.	Acquisition for cash, January 24	Philadelphia Saving Fund Society	Salomon Bros.	N.A.	--
				General Electric Credit Corp.	Goldman Sachs	N.A.	--
48	**IC INDUSTRIES (consumer and commercial products, transportation) acquires PNEUMO (aerospace, food and drug retailing)**						
	$562,300	268.4%	Acquisition for cash and stock, October 18	IC Industries	Salomon Bros.	$2,475	.44%
				Pneumo	Merrill Lynch	$3,674	.65%
49	**PITTCO ACQUISITION CORP. (private investors)** acquires MALONE & HYDE (food and retailing)**						
	$550,146	273.5%	Leveraged buyout for cash, August 29	Pittco Acquisition	Kohlberg Kravis Roberts	$6,750	1.22%
				Malone & Hyde	Lehman Bros. Kidder Peabody	$3,500 $750	.60% .13%
50	**BANK OF MONTREAL acquires HARRIS BANKCORP**						
	$546,734	132.6%	Acquisition for cash, September 4	Bank of Montreal	Morgan Stanley	N.A.	--
				Harris Bankcorp	First Boston	$1,516*	.28%

*Fortune estimate N.A. Not available.
**Group led by Kohlberg Kravis Roberts.

EXPLANATORY NOTES

Deals eligible for the list include:

1. U.S. public offerings of individual securities (except short-term securities) by domestic and foreign corporations issued under a single prospectus or offering circular.
2. Cash tender offers by domestic corporations or by foreign corporations tendering in the U.S., including those of companies buying in their own stock.
3. Mergers or acquisitions in which the buyer and/or seller is a U.S. company (or part of one). To be eligible, offerings must be effective in 1984, and tender offers must have expired during the year. Mergers and acquisitions are eligible if legally closed during the year or, when not legally closed, if the prospective buyer has paid a portion of the purchase price in cash during the year.

The list excludes short-term financings, government securities, and financings other than public offerings—such as bank borrowings and private placements.

When two companies merge through an exchange of stock to form a new company, the company whose stockholders received the largest share of the new company is treated as the buyer. When the buyer or seller is a subsidiary, the parent's name is given in parentheses.

Value of deal Amounts for cash offerings are the total amounts raised, for tenders the total amount paid. All securities issued in acquisitions or mergers are valued at the market price on the date of closing. Exception: when a new company is formed by merger, only those shares issued to stockholders of the smaller company are valued.

Percent of book value Book value calculations indicate the price paid (or amount of equity capital raised) per share as a percentage of the shareholders' equity per share of the acquired company (or issuer) at the end of the last quarter preceding the transaction.

Transaction Dates under this heading are effective dates for offerings, expiration dates for tenders, and closing dates for acquisitions and mergers.

Financial intermediaries For underwritten public offerings, the co-managers are listed and the lead manager is indicated by an asterisk. In the case of acquisitions and mergers, the intermediaries are typically investment banking firms that assisted in the transaction.

Fee The figures represent the amounts charged by the financial intermediaries assisting in the deals. In underwritings, part of the fee is paid to other members of the underwriting syndicate or to dealers other than the co-managers. ■